

DOVER HUDSON CLAYTON FIRE DEPARTMENT

LENAWEE COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

MARCH 31, 2008

**DOVER HUDSON CLAYTON FIRE DEPARTMENT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2008**

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PHILIP R. RUBLEY

– Certified Public Accountant –

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

November 21, 2008

Dover Hudson Clayton Fire Department
3444 State St.
Clayton, MI 49235

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover Hudson Clayton Fire Department as of and for the year ended March 31, 2008, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dover Hudson Clayton Fire Department management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dover Hudson Clayton Fire Department as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the

Dover Hudson Clayton Fire Department
November 21, 2008

United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dover Hudson Clayton Fire Department basic financial statements.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2008

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Dover Hudson Clayton Fire Department government-wide basis. They are designed to present a longer-term view of the Fire Department's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Fire Department's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Fire Department's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Fire Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Department is improving or deteriorating.

The Fire Department maintains 2 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major fund and the fireman apparatus fund.

The Fire Department adopts an annual appropriated budget for its general and fireman apparatus funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement, of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Fire Department that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Fire Department include public safety.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2008

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire Department can be divided into one category governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Fire Department has reported under required supplementation information, information about the General Fund and Firemen Apparatus Fund which are Major Type Funds.

The Fire Department As A Whole

The Fire Department's net assets for the year ended March 31, 2008 were less than the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Fire Department will be able to maintain revenues close to costs in the future years, which is funded by the Village of Clayton, Hudson Township and Dover Township.

The governmental activities reflect net assets of \$353,550.

The Fire Department's net assets reflect its investment in capital assets (e.g. vehicles and equipment). The Fire Department uses these capital assets to provide services to citizens for future spending.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2008

**DOVER HUDSON CLAYTON
FIRE DEPARTMENT**

**Governmental
Activities**

2008

Revenue

General Revenue:

Governmental Contributions

Interest

Other

\$ 72,000

50

4,235

Total Revenue

76,285

Expenses

Public Safety

100,129

Total Expenses

100,129

(Decrease) In Net Assets

(23,844)

Net Assets Beginning of Year

377,394

Net Assets End of Year

\$353,550

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2008

**DOVER HUDSON CLAYTON
FIRE DEPARTMENT**

**Governmental
Activities**

2008

Current and Other Assets	\$ 1,061
Capital Assets	<u>353,952</u>
Total Assets	<u>\$355,013</u>

Other Liabilities	\$ 1,463
Total Liabilities	<u>1,463</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	353,952
Unrestricted - (Deficit)	(953)
Restricted - Fireman Apparatus	<u>551</u>

Total Net Assets	<u>\$353,550</u>
-------------------------	-------------------------

Government Activities

Government activities (decreased) the Fire Department's net assets by (\$23,844).

The Fire Department's Funds

Our analysis of the Fire Department's funds begins on Page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Fire Department as a whole. The Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Management's Discussion and Analysis
March 31, 2008

General Fund Budgetary Highlights

There are no differences between the original budget and amended budget.

Economic Factors And Next Year's Budget And Rates

The Fire Department's budget for 2008-2009 fiscal year has taken inconsideration, the economic condition of the State of Michigan. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Fire Department's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Fire Department in Clayton, Michigan.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Government-wide Statement of Net Assets
March 31, 2008

	Governmental Activities
<u>Assets</u>	
Cash and Equivalents	\$ 839
Prepaid Items	222
Capital Assets Being Depreciated - Net	<u>353,952</u>
Total Assets	<u>\$355,013</u>
 <u>Liabilities</u>	
Accounts Payable and Accrued Expenses	<u>\$ 1,463</u>
Total Liabilities	<u>1,463</u>
 <u>Net Assets</u>	
Invested In Capital Assets	353,952
Unrestricted - (Deficit)	(953)
Restricted - Fireman Apparatus	<u>551</u>
Total Net Assets	<u>\$353,550</u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Government-wide Statement of Activities
For The Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Governmental Activities:</u>					
Public Safety	\$100,129	\$ ---	\$72,000	\$ ---	\$ (28,129)
Total Governmental Activities	<u>\$100,129</u>	<u>\$ ---</u>	<u>\$72,000</u>	<u>\$ ---</u>	<u>\$ (28,129)</u>
<u>Changes In Net Assets</u>					
General Revenues:					
Unrestricted					50
Investment Earnings					4,235
Other					<u>4,285</u>
Total General Revenues		.			<u>4,285</u>
Change In Net Assets (Decrease)					(23,844)
Net Assets, Beginning of Year					<u>377,394</u>
Net Assets, End of Year					<u>\$353,550</u>

The notes to financial statements are an integral part of this statement.

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DOVER HUDSON CLAYTON FIRE DEPARTMENT
Governmental Funds
Balance Sheet
March 31, 2008

	General Fund	Firemen Apparatus Fund	Totals
<u>ASSETS</u>			
Cash and Cash	\$ 288	\$ 551	\$ 839
Equivalents	222	---	222
Prepaid Expenses	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 510</u>	<u>\$ 551</u>	<u>\$1,061</u>
<u>LIABILITIES</u>			
Accounts Payable	<u>\$ 1,463</u>	\$ ---	\$1,463
Total Liabilities	<u>1,463</u>	<u>---</u>	<u>1,463</u>
<u>FUND BALANCES</u>			
Unreserved (Deficit)	<u>(953)</u>	551	<u>(402)</u>
Total Fund Balances	<u>(953)</u>	551	<u>(402)</u>
Total Liabilities and Fund Balances	<u>\$ 510</u>	<u>\$ 551</u>	<u>\$1,061</u>

The notes to financial statements are an integral part of this statement.

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DOVER HUDSON CLAYTON FIRE DEPARTMENT
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
March 31, 2008

Fund Balances – Total Governmental Funds (Deficit) \$ (402)

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital Assets 563,300

Deduct: Accumulated Depreciation (209,348)

Net Assets of Governmental Activities \$353,550

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended March 31, 2008

	General Fund	Firemen Apparatus Fund	Totals
<u>REVENUES</u>			
Intergovernmental Contributions	\$72,000	\$ ---	\$72,000
Interest	50	---	50
Other	<u>4,235</u>	<u>---</u>	<u>4,235</u>
Total Revenue	<u>76,285</u>	<u>---</u>	<u>76,285</u>
<u>EXPENDITURES</u>			
Current:			
Public Safety	69,466	4,461	73,927
Capital Outlay	<u>7,400</u>	<u>---</u>	<u>7,400</u>
Total Expenditures	<u>76,866</u>	<u>4,461</u>	<u>81,327</u>
Net Change In Fund Balances (Decrease)	(581)	(4,461)	(5,042)
Fund Balances – Beginning of Year (Deficit)	<u>(372)</u>	<u>5,012</u>	<u>4,640</u>
Fund Balances – End of Year (Deficit)	<u>\$ (953)</u>	<u>\$ 551</u>	<u>\$ (402)</u>

The notes to financial statements are an integral part of this statement.

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DOVER HUDSON CLAYTON FIRE DEPARTMENT
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
March 31, 2008

Net Change In Fund Balances – Total Governmental Funds \$ (5,042)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct: Depreciation Expense (26,202)

Add: Capital Outlay which is a capital item on the government wide financial statements. 7,400

Change In Net Assets Of Governmental Activities (Decrease) \$ (23,844)

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Dover Hudson Clayton Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Dover Hudson Clayton Fire Department is governed by an elected board by the fire fighters. The accompanying financial statements present the fire department of which the Village of Clayton, Dover Township and Hudson Township are financially accountable for.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2008

Intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major governmental fund:

The Firemen Apparatus Fund which accounts for special activities of the government's fire department.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments if applicable are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2008

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Capital Assets** – Capital assets, which include equipment, and vehicle assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Equipment and vehicles of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery, Equipment, And Furnishings	5 - 35
Vehicles	5 - 15

5. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2008

On or before the end of March of each year, the Fire Department Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board.

- B. Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2008, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$72,000	\$76,285	\$4,285
Fireman Apparatus Fund	---	4,461	4,461

NOTE 3 - DEPOSITS AND INVESTMENTS

The Fire Department has the following deposits which are carried at cost plus interest. The Fire Department does not have a deposit policy. The Fire Department investments are in accordance with statutory authority.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 839
Uninsured and Uncollateralized	---
	<u>\$ 839</u>

CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk, is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned to it. The Fire Department does not have a deposit policy for custodial credit risk. As of March 31, 2008 none of the Fire Department's bank balance of \$839 was exposed to custodial risk.

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Asset:	
Cash and Cash Equivalents	<u>\$ 839</u>
	<u>\$ 839</u>

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2008

Concentration of Credit Risk

State Law limits allowable investments but does not limit concentration of credit risk. The Fire Department's investment policy does not have specific limits in excess of State Law on concentration of credit risk.

Interest Rate Risk

State Law limits the allowable investment and maturities of some investments. The Fire Department's investment policy mirrors the State statute as indicated above. The Fire Department's investment policy does not address interest rate risk. All investments are short term.

Credit Risk

State Law limits investments as indicated above. The Fire Department's investment policy does not have specific limits in excess of the State Law on investment credit risk.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 456,000	\$ 7,400	\$ ---	\$ 463,400
Equipment	99,900	---	---	99,900
Total Capital Assets Being Depreciated	555,900	7,400	---	563,300
Less Accumulated Depreciation For:				
Vehicles	(121,320)	(20,377)	---	(141,697)
Equipment	(61,826)	(5,825)	---	(67,651)
Total Accumulated Depreciation	(183,146)	(26,202)	---	(209,348)
Total Capital Assets, Being Depreciated, Net	372,754	(18,802)	---	353,952
Governmental Activities Capital Assets, Net	\$ 372,754	\$ (18,802)	\$ ---	\$ 353,952

Depreciation expense was charged to functions/programs of the Fire Department as follows:

<u>Governmental Activities:</u>	
Public Safety	\$26,202
Total Depreciation Expense	
Governmental Activities	\$26,202

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Notes to Financial Statements
March 31, 2008

NOTE 5 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows) (Deficit)	\$ (953)	\$ (953)	\$ (953)	\$ ---
Intergovernmental				
Contributions	72,000	72,000	72,000	---
Interest	---	---	50	50
Other	---	---	4,235	4,235
Amounts Available for Appropriation	<u>71,047</u>	<u>71,047</u>	<u>75,332</u>	<u>4,285</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Safety – Fire				
Wages	20,000	20,000	19,149	851
Payroll Taxes	---	---	1,465	(1,465)
Insurance	18,300	18,300	15,634	2,666
Utilities	9,000	9,000	9,576	(576)
Fuel & Oil	6,000	6,000	5,724	276
Supplies	4,000	4,000	4,253	(253)
Maintenance	3,700	3,700	5,239	(1,539)
Banquet	1,500	1,500	1,500	---
Training	3,000	3,000	4,200	(1,200)
Miscellaneous	500	500	2,145	(1,645)
Capital Outlay	6,000	6,000	7,400	(1,400)
Total Charges to Appropriations	<u>72,000</u>	<u>72,000</u>	<u>76,285</u>	<u>(4,285)</u>
Ending of Year Fund Balance (Deficit)	\$ <u>(953)</u>	\$ <u>(953)</u>	\$ <u>(953)</u>	\$ ---

DOVER HUDSON CLAYTON FIRE DEPARTMENT
Budgetary Comparison Schedule
Firemen Apparatus Fund
For The Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$5,012	\$5,012	\$5,012	\$ ---
Intergovernmental Contributions	---	---	---	---
Amounts Available for Appropriation	<u>5,012</u>	<u>5,012</u>	<u>5,012</u>	<u>---</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Safety – Fire	---	---	<u>4,461</u>	<u>(4,461)</u>
Total Charges to Appropriations	---	---	<u>4,461</u>	<u>(4,461)</u>
Ending of Year Fund Balance	<u>\$5,012</u>	<u>\$5,012</u>	<u>\$ 551</u>	<u>\$ (4,461)</u>

PHILIP R. RUBLEY

— Certified Public Accountant —

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

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MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

November 21, 2008

**Firemen Board
Dover Hudson Clayton Fire Department
3444 State St.
Clayton, MI 49235**

We have examined the financial statements of the Dover Hudson Clayton Fire Department dated March 31, 2008. As a part of our examination, we made a study and evaluation of the Fire Department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Fire Department's system of internal accounting control for the year ended March 31, 2008, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Statement on Auditing Standards Pronouncement 112 requires us as auditors to communicate what we determine to be significant deficiencies and material weaknesses to management and those charged with governance in regards to internal control matters.

A significant deficiency is a control deficiency or combination of control deficiencies that creates the remote likelihood that a misstatement of the Fire Department's financial statements is more than inconsequential and will not be prevented or detected on a timely basis by employees in the normal course of business.

Based on this criteria the following comments are in this category:

1. **SEGREGATION OF DUTIES**

Because of the size and number of personal segregation of duties is a significant deficiency. These means at the basic level, no single individual should have control over two or more phases of a transaction or operation in the accounting function.

We feel however that because of managements oversight, that this is not a material weakness in the control system.

2. **FINANCIAL STATEMENTS**

Under Statement on Auditing Standards 112, we as auditors must determine whether management and accounting personnel are capable of writing their financial statements in compliance with GASB 34. At this time with limited personnel and resources we feel this is not obtainable.

OTHER MATTERS FOR CONSIDERATION

These comments are not significant deficiencies but are suggestions to improve your existing accounting and control systems.

1. **DEPOSIT POLICY**

Consider establishing a policy to deposit funds in more than one bank to obtain additional FDIC insurance and reduce your custodial risk.

2. **FIXED ASSETS**

Maintain or continue to maintain any deletions of assets or purchases of assets subject to capitalization (over \$1,000.00).

3. **DOCUMENTATION**

Be sure to have adequate supporting documentation of expenditures including reimbursable expenses paid.

4. **BUDGET**

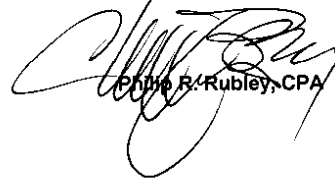
Care should be taken to stay within the adopted budget.

Dover Hudson Clayton Fire Department
November 21, 2008
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The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated March 31, 2008, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab